

1960

Vol. 1**S** STATUS OF FRANCE

by

**Lorna Morley**

	Page
FRANCE AND THE NORTH ATLANTIC ALLIANCE	179
De Gaulle's Round of Pre-Summit Meetings	179
French Proposals for Reorganization of NATO	180
Algerian War and Differences Within Alliance	182
Ambition of France to Attain Nuclear Capacity	183
ALGERIA AND THE FIFTH FRENCH REPUBLIC	185
Pressures for Terminating the War in Algeria	185
Political Reforms After the 1958 Army Revolt	185
De Gaulle's Plan for Solving Algerian Problem	187
Test of de Gaulle's Authority in Latest Crisis	189
Dickering for Agreement With Moslem Rebels	191
ECONOMIC REFORM UNDER FIFTH REPUBLIC	193
Measures to Strengthen the Economy of France	193
Currency Devaluation and New Twenty-Cent Franc	195

**No. 10****Mar. 10**

THE right to reproduce material contained in *Editorial Research Reports* is strictly reserved to the newspaper clients of the service. Verbatim use of such material by others will be permitted only upon written authorization of the editor.

RICHARD M. BOECKEL, *Editor*

Editorial Research Reports  
1156 Nineteenth Street, N.W.  
Washington

---

## STATUS OF FRANCE

---

**P**RESIDENT DE GAULLE'S crowded diplomatic schedule of the next two months reflects the growing stature of France on the stage of world politics. After receiving British Prime Minister Macmillan for two days of private talks, March 12-13, de Gaulle on March 15 is to welcome Soviet Premier Khrushchev to France for a fortnight's state visit. The French President himself then travels to England for a state visit, April 5-8, before proceeding across the Atlantic two weeks later to confer with Canadian government leaders in Ottawa and to spend three days, April 22-25, with President Eisenhower in Washington.<sup>1</sup> The climax follows shortly afterward when de Gaulle plays host at the Big Four summit meeting scheduled to open May 16 in Paris.

The ceremonial visits and the diplomatic activity in which France participates as an equal signify the enhanced prestige that has come to the nation under de Gaulle's leadership. France, defeated in World War II, shorn since then of large parts of its empire, and sorely weakened by protracted warfare in Algeria, naturally cannot pretend to an equality of power with the other members of the Big Four. During the brief space of time since the Fifth Republic came into being, however, political and economic reforms have given France an access of strength that seems destined to place it in a role of rising importance in the Western alliance.

Recent developments that have contributed notably to enhancing the prestige of the Fifth Republic and de Gaulle have been (1) demonstration of the ability of the government at Paris to surmount the threat to its authority raised at the end of January by army officers and revolting European settlers in Algeria; (2) emergence of France as a fledgling nuclear power through its test explosion of an atomic bomb in the Sahara on Feb. 13; and (3) an impres-

<sup>1</sup> After leaving Washington, de Gaulle is to spend a day in New York and three days in other (not yet designated) American cities.

### *Editorial Research Reports*

sive economic upsurge in metropolitan France. Economic reforms effected by the de Gaulle government have enabled the country to live up fully to its commitments as a member of the newly formed European Economic Community or Common Market. They have laid the groundwork also for restoration of France to a position of effective leadership in Western Europe—this time in partnership rather than rivalry with independent Germany.

#### FRENCH PROPOSALS FOR REORGANIZATION OF NATO

Relations of France with its two leading allies in the North Atlantic Treaty Organization have been strained in the past few years by transfer to Algeria of a large part of the French forces earmarked for NATO and, more recently, by assertions of independence on de Gaulle's part that complicated NATO's defense mission. Differences in that respect have not all been resolved, and de Gaulle is now in stronger position than formerly to press his point of view. But by the same token, the French President's increased strength may make him less disposed to insist on small points and more ready to come to agreement on large matters.

De Gaulle in September 1958 proposed a reorganization of the structure of NATO that would have had the effect of substantially increasing French influence in the councils of the Western allies. In letters to President Eisenhower and Prime Minister Macmillan, never made public, the French President reportedly complained of the failure of the United States and Great Britain to notify France before intervening in Lebanon and Jordan the preceding July.<sup>2</sup> To assure that France, as a world power and an ally, be consulted in advance of any major Anglo-American political or military moves in the future, de Gaulle was understood to have proposed that a U.S.-British-French "political directorate" be superimposed on the North Atlantic Council. This NATO triumvirate, according to the reports, would serve as a strategy planning board whose responsibilities would stretch beyond the North Atlantic Treaty area to comprehend interests of NATO powers anywhere in the world.

Edgar S. Furniss, Jr., in a recent study commissioned by the Council on Foreign Relations, pointed out that de

<sup>2</sup> De Gaulle reportedly complained also that France had been denied a fair share of important posts in the NATO command structure.

### *Status of France*

Gaulle's proposals were consistent with the view of NATO held by the French President, which Furniss expressed as follows:

As a military security system it had helped to maintain the freedom of Western Europe. But now Soviet advances in other areas . . . were threatening to encircle and isolate the West. . . . Believing that the future of NATO would be determined outside the continent, including areas where French interests were crucial, he sought to reinforce French claims to a leading role in Africa. . . . The original NATO concept had recognized the significance of Algeria to the security of Europe, and especially to the Mediterranean area. But this did not go far enough. A North-South NATO axis should be added, stretching to the limits of the [French] Community. . . . Presumably France would retain leadership and control of the Community in Africa, while through France the Community would be brought within the protective framework of the North Atlantic Alliance.<sup>3</sup>

Washington and London showed no enthusiasm for the French proposals for reorganizing NATO. As a result, de Gaulle made it clear that France would permit no American missile bases on French soil and no stockpiling of U.S. nuclear weapons over which France had no control. There was no essential difference between this attitude and that of the Fourth Republic toward NATO. For example, when the United States in December 1957 submitted to the North Atlantic Council a proposal to install intermediate missile launching sites in France, the government at Paris insisted on a right to veto firing of the missiles. Foreign Minister Christian Pineau told the National Assembly, Jan. 22, 1958: "The French government is firmly attached to the principle that such missiles cannot be used without the authorization of the country on whose territory they are installed."

Because of the condition attached to storing nuclear weapons in France, Gen. Lauris Norstad, Supreme Allied Commander in Europe, felt it necessary last July to transfer 200 American French-based fighter-bombers to British and West German bases. The move was dictated by the logistic need to keep planes and ammunition in the same place.

French sensitivity on military matters has been matched in the political sphere. When Khrushchev's visit to the United States was announced last summer, the French

<sup>3</sup> Edgar S. Furniss, Jr., *France, Troubled Ally* (1960), pp. 465-468.

### *Editorial Research Reports*

seemed to fear that some big-power deal at their expense might be in the making. Premier Michel Debré said on Aug. 16 that "To avoid being crushed by agreements between very great powers, a nation like France must be in a position to make itself heard and understood." A French information ministry statement had observed, Aug. 4, that the Eisenhower-Khrushchev talks could be useful "from the moment that the positions to be taken by the President . . . shall have been studied and concerted with U.S. allies." It was to accomplish that purpose and avert any misunderstandings that President Eisenhower made a round of the chief NATO capitals, and addressed the North Atlantic Council, two weeks before Khrushchev's mid-September arrival in Washington. French apprehensions were thereby quieted.

#### ALGERIAN WAR AND DIFFERENCES WITHIN ALLIANCE

The continuing fighting in Algeria has been an important factor behind differences within NATO. The French think their position on Algeria should have the full support of their allies. Premier Debré said last August that "The policy of France in Algeria must not be contested or contradicted by anyone who wishes us as an ally." This country has not always supported France's Algerian policy. At sessions of the United Nations General Assembly in December of 1958 and 1959, the United States abstained from voting on Afro-Asian-sponsored resolutions calling for talks between the French government and the Algerian rebels.<sup>4</sup>

Two reasons related to the Algerian war help to explain why de Gaulle's proposal for NATO reorganization has not been accepted. The United States and Britain shy away from identification with colonialism, and they are particularly conscious of the fact that the Algerian conflict has embittered Western relations with the Afro-Asian world. Washington and London feel that a close partnership with Paris would not promote satisfactory dealings with the African and Asian states. De Gaulle's proposal for self-determination in Algeria has been warmly endorsed by the United States and Britain. President Eisenhower said on Sept. 17, the day after the plan was advanced, that it was "completely in accord with our hopes to see proclaimed a

<sup>4</sup> The 1958 Afro-Asian resolution on Algeria failed by only one vote, Dec. 13, to obtain the two-thirds majority necessary for adoption; the 1959 resolution failed, Dec. 12, by only two votes.

### *Status of France*

just and liberal program for Algeria." But Western nations continue to be wary of any association that would lead Paris to expect their more or less automatic support of French overseas policies.

Although NATO's purpose is to maintain international forces in being for the defense of Western Europe, de Gaulle until very recently opposed integration of French air and ground forces with those of other NATO nations. NATO ground forces have been greatly reduced by France's large-scale transfer of troops to Algeria, leaving only two understrength French ground divisions on the European continent. The North Atlantic Council was told, March 11, 1959, of a decision not to assign any of the French Mediterranean fleet to NATO command, even in wartime. Official French sources attributed the decision to the need to safeguard communications with Algeria. Washington and London therefore consider that the situation in which Paris does not in effect have an equal voice in NATO decisions simply reflects the realities of power, for France is unable to reach or maintain the agreed NATO force levels.

NATO leaders have been striving recently to resolve the differences over integration of forces. Gen. Norstad on March 2 reported "great progress" toward ending the dispute over unified air defense in Western Europe. On the same day, moreover, Norstad announced that the United States, Great Britain and France had reached a "tacit agreement" to establish an integrated mobile task force, composed initially of a battalion from the forces of each of the three countries under a single commander. The task force would be equipped with both conventional and atomic weapons and would represent a step toward making NATO a nuclear power in its own right, with nuclear weapons under its direct control.

#### AMBITION OF FRANCE TO ATTAIN NUCLEAR CAPACITY

France was determined, before de Gaulle came to power, to develop an atomic bomb of its own, and possession of nuclear weapons, including hydrogen bombs or missiles, has been a key element of de Gaulle's *politique de grandeur*. Resentment was felt because the restrictions of American law made it impossible for the French to realize this ambition without undertaking costly developmental and experimental work that could have been avoided if its ally had been willing to pass along information in its keeping.

### *Editorial Research Reports*

Despite the insistence of France on having a say about the firing of nuclear weapons on French soil, presumably out of fear of involvement in nuclear war against its will, there has been some fear in France and in other European countries that the United States might not use its nuclear power when it was needed—in other words, that it might let Western Europe be overrun rather than invite a rain of destruction upon itself. Such fears, however unreasonable in American eyes, were aggravated when orbiting of the first sputnik in October 1957 emphasized the vulnerability of this country to enemy attack.

Foreign Minister Pineau, addressing the National Assembly on Jan. 22, 1958, voiced the belief that French nuclear capacity, in addition to making the nation more secure, would decrease its dependence on its Anglo-American allies. The same thought underlay Great Britain's earlier decision to develop its own nuclear power. Prime Minister Winston Churchill told the House of Commons, March 1, 1955: "Personally, I cannot feel that we should have much influence over their [U.S.] policy or actions, wise or unwise, while we are largely dependent, as we are today, upon their protection. We, too, must possess substantial deterrent power of our own."

However, France cannot, without great sacrifice, build up an atomic arsenal comparable to those of its allies. Furniss has commented: "It is . . . obvious that the explosion of one nuclear device, possibly an obsolescent one, does not prove that a nuclear capability has been achieved. If after one experiment France persists in building a national atomic stockpile, it will find . . . that nuclear weapons comprise a bewildering assortment, . . . all requiring difficult choices, all costing money. Since in all probability France cannot afford to match the British arsenal, let alone the American weapons systems, it may, after long travail, have to settle for far less than its allies possess."<sup>5</sup>

<sup>5</sup> Edgar S. Furniss, Jr., *op. cit.*, p. 479.



---

## Algeria and the Fifth French Republic

---

MORE THAN FIVE YEARS have elapsed since the Moslem rebels in Algeria opened guerrilla warfare, Nov. 1, 1954.<sup>6</sup> Attacks on French settlers and army posts, and on pro-French Moslems, are still going on. The French have suffered a daily average of seven soldier deaths and have spent at least \$1 billion a year on the war. Attempts to find a way to settle the debilitating and inconclusive struggle taxed successive governments at Paris and created animosities in Algeria that finally destroyed the Fourth Republic. The French army revolt of May 13, 1958, against a new Paris government which reportedly was ready to open talks with the Moslem rebels, brought de Gaulle back to office with extraordinary powers and led to adoption of a new constitution. But the Fifth Republic thus brought into existence has not yet been able to solve the festering Algerian problem.

Discovery and exploitation of oil resources in the Sahara desert region of Algeria have increased the importance of establishing peace, for it is difficult to protect pipelines and railroads built to carry the oil to Mediterranean ports. The deposits of oil and natural gas discovered in the Sahara since 1953 are of incalculable potential value. A 400-mile trans-Sahara pipeline, completed last Aug. 25, joins the Hassi Massaoud oil fields with the Algerian port of Bougie. A second pipeline is to run through Tunisia. Exploitation of Saharan oil is getting under way in earnest this year, and the French government is counting on \$153 million worth of African crude oil in 1960. The prospect is that Saharan oil will make France independent of foreign supplies by 1962 and save some \$300 million a year in foreign exchange.

### POLITICAL REFORMS AFTER THE 1958 ARMY REVOLT

At the end of World War II, de Gaulle asserted that the Third Republic, established in 1875 following the Franco-Prussian War, had not ceased to exist during the Nazi occupation of France (1940-1944); de Gaulle and his Free French associates abroad and the Resistance at home had "incorporated" the republic after its betrayal by the men of Vichy.

<sup>6</sup> See "Algerian Conflicts," *E.R.R.*, 1958 Vol. II, p. 646.

### *Editorial Research Reports*

De Gaulle guided the postwar provisional government as its president until Jan. 20, 1946, when he resigned in disgust over wrangling in the Constituent Assembly then serving also as a national legislature. De Gaulle actively opposed successive draft constitutions providing for a National Assembly that would hold virtually complete powers, and for an executive with only limited authority instead of an executive independent of the legislature. But despite his opposition, the second draft constitution, continuing the old form of responsible parliamentary government, was approved by the voters of France in a referendum on Oct. 13, 1946.<sup>7</sup>

Parliamentary government, operated most successfully under a two-party system, always was handicapped in France by the multiplicity of political parties. Although the resulting frequent changes of government were a source of strong complaint between the wars, the traditional French fear of the "man on horseback" was still too prevalent to permit acceptance of a strong executive when a new constitution was drafted in 1946. Repetitious cabinet crises therefore continued under the Fourth Republic. When de Gaulle agreed, May 29, 1958, to accept President René Coty's offer to appoint him as premier, he did so only on condition that he be accorded exceptional powers. At the same time, de Gaulle promised that his "sort of resurrection" would not substitute one-man rule for the "regime of the parties."

De Gaulle became premier on June 1, 1958. On June 2 and 3 the National Assembly granted him temporary powers to govern France by decree, to deal with the situation in Algeria, and to revise the constitution subject to a popular referendum. De Gaulle's constitution, approved by a wide margin in a referendum on Sept. 28 and promulgated Oct. 5, 1958, drastically altered the 80-year-old parliamentary system and set up a new distribution of powers strengthening the executive. It established a seven-year term for the President of the Republic, whose powers were greatly enlarged. The constitution of the Fifth Republic moved toward the separation of powers, but not to the point of instituting an American type of government. The premier and his cabinet are linked closely to the President, who appoints them.

<sup>7</sup> After the first draft constitution was rejected in a referendum on May 6, 1946, a new Constituent Assembly was elected to draft the constitution that was accepted by the voters on Oct. 13, 1946.

### *Status of France*

The President of the Republic is chosen by an electoral college consisting of the members of the National Assembly and the Senate and of more than 70,000 mayors, municipal councilors, and representatives of overseas territories.<sup>8</sup> The President may dissolve the National Assembly; Article 16 empowers him, in cases of grave national peril, "to take the measures required by those circumstances." Furniss has commented: "To establish a government expressing the abstract 'national will' transcending all conflicting forces the Fifth Republic has deliberately weakened parliamentary democracy, without substituting for it a clear separation of powers. As a result, a great deal will depend on the personality and behavior of the President of the Republic, on his ability to exercise a charismatic leadership."<sup>9</sup>

Besides radically changing the form of the central government, the constitution of the Fifth Republic established the French Community. Under the new organic law, the President of the Republic heads an association, described as a federation, comprising metropolitan France and the overseas territories. The constitutional referendum of Sept. 28, 1958, amounted in the colonies to a vote on whether to retain existing colonial status, to accept autonomy within the new French Community, or to choose immediate independence. Only French Guinea voted for independence. No choice was offered in Algeria, which the French consider a part of metropolitan France.

#### DE GAULLE'S PLAN FOR SOLVING ALGERIAN PROBLEM

When de Gaulle came to power in 1958, he inherited an Algerian situation in which there was no approach to agreement between extremists in two widely separated camps—the Moslem rebels on one hand and the European settlers (*colons*) and French army on the other. De Gaulle's policy commitments toward Algeria, therefore, were kept purposely vague in order to avoid closing any doors to a possible compromise settlement.

Immediately after the constitutional referendum, in a speech at Constantine, Algeria, on Oct. 3, 1958, the premier outlined a five-year, \$5 billion program to give Algeria "its share in what modern civilization can and must bring

<sup>8</sup> Premier de Gaulle was chosen chief of state in the first presidential election of the Fifth Republic, Dec. 21, 1958, and was inaugurated the following Jan. 8.

<sup>9</sup> Edgar S. Furniss, Jr., *op. cit.*, p. 271.

### *Editorial Research Reports*

to men in terms of well-being and dignity." The program, known as the Constantine Plan, aimed to improve Algerian living standards through political, educational, economic and social development. De Gaulle announced that at least one-tenth of the young people in the administrative services, the magistrature, the army and education would be Moslems. Included in the plan was schooling for two-thirds of Algeria's children within five years, to be extended to all Algerian children in the succeeding three years.

A year later de Gaulle outlined his plan for ending the war in Algeria. In a radio and television speech on Sept. 16, 1959, he pledged that, within four years of the restoration of peace,<sup>10</sup> Algerians including rebels would be allowed to decide their political future in a free vote. The President named three solutions for Algeria which "in theory it is possible to imagine" and which would be put to a vote: independence, integration with France, or a form of federal autonomy. As in the case of the member states of the French Community, Algeria was to be offered a choice of independence at the cost of forgoing French economic aid.

De Gaulle seemed to indicate that his own preference was federal autonomy. Of independence or "secession," he said: "France would then leave the Algerians who had expressed their wish to become separated from her. . . . Such an outcome would be incredible and disastrous. . . . France would undoubtedly stop devoting so much of value and so many billions of francs to a cause shorn of any hope." The President implied, moreover, that a vote for secession would lead to partition of Algeria into French and independent areas. "France would arrange . . . for . . . regrouping and resettlement" of Algerians who might want to remain French. And a frank warning was given that France would not give up the oil riches of the Sahara: "Everything would be arranged so that the operation of oil wells, the handling and shipping of Saharan oil . . . would be ensured in any event."

The French President described the option of integration as "out-and-out identification with France, such as implied in equality of rights: Algerians can accede to all political,

<sup>10</sup> De Gaulle defined "peace" as a time when "not more than 200 persons a year will lose their lives, either in ambushes or isolated attacks."

### *Status of France*

administrative and judicial functions of the state and have free access to the public service." The option of autonomy he called "government of Algerians by Algerians, backed up by French help and in close relationship with her, as regards the economy, education, defense and foreign relations." It would involve a federal regime in Algeria, which would provide for the coexistence of the different racial communities.

De Gaulle emphasized that in the period of peace before the self-determination referendum France would administer generous economic aid and social reform, "so that Algeria, when pacified, can weigh all the factors and consequences of its own decision." He pointed out that a vast effort of social and economic development under the Constantine Plan was already under way.

The French leader declared at a press conference, Nov. 10, that voting in the referendum would be free "because I have committed myself so that all Algerians will be able to participate in this consultation without restraint and that wherever they come from and whatever their platforms, they can take part in the vote and the discussions that precede it to fix the conditions of the vote."

#### TEST OF DE GAULLE'S AUTHORITY IN LATEST CRISIS

The French army, now heavily concentrated in Algeria, has shown itself as determined as the European settlers there to hold onto this last possession of France in North Africa. It was to keep Algeria French that the army in May 1958 rebelled against the civil authority at Paris and called for Gen. de Gaulle's return to leadership of the government. Since then, the army has felt itself entitled to control French policy toward Algeria.

Both the army and the *colons* were angered by de Gaulle's pledge of self-determination last September, and their simmering resentment reopened the split between Algiers and Paris. Gen. Jacques Massu, commander of the Algiers region and a leader of the 1958 revolt, finally gave public expression to the army's opposition. The Munich *Sud-deutsche Zeitung* reported that Massu had said, in an interview on Jan. 16, 1960, that the army no longer understood de Gaulle's policy and would not unconditionally obey the President. Massu was promptly summoned to Paris and on Jan. 22 relieved of his Algerian command.

### Editorial Research Reports

Opposition to de Gaulle among the military and the *colons* in Algeria thereupon came into the open. Armed European settlers clashed with French riot police in Algiers, Jan. 24, and erected street barricades. According to an analysis by the London *Times*, Jan. 26: "Those French Algerians who took up arms . . . had three main objectives. First, they wished to prove that General de Gaulle's policy for Algeria was unacceptable; secondly, they wished to make the army commit itself openly to their side; thirdly, they wished to force General de Gaulle out of power."

During the insurrection de Gaulle's Algerian policy seemed to be disavowed in other quarters. Premier Debré, seeking to reassure the *colons*, promised on Jan. 26 "that all those will remain French who on this French soil [Algeria] are French, and that nobody ever will be able to take away from them or even dispute this status for themselves or for their children." Gen. Maurice Challe, Supreme Commander in Algeria, declared the next day that "This French army . . . will continue to fight so that Algeria remains definitively French soil, for there can be no other meaning to its struggle."

De Gaulle, however, remained firm in face of the renewed crisis. In the end, by asserting control of the army, he succeeded in suppressing the insurrection of the *colons*. An address broadcast to the nation, Jan. 29, amounted to a trial of strength; the President commanded the army to restore order and to put an end to the revolt, and he reiterated his policy of self-determination for Algeria. The army responded the same day by calling up the home guard, thus in effect ordering guardsmen out from behind the barricades. By Feb. 1 all the insurgents had surrendered and the revolt had collapsed. The principal leaders of the insurrection, moreover, were taken into custody and some of them were shipped across the Mediterranean to prison in France.

The victory of Paris over Algiers, however, is generally regarded as inconclusive. De Gaulle's continuing ability to control the *colons* and the army is now the crucial question. If he can head off further resistance from those quarters, and also achieve some progress toward a settlement with the Moslem rebels, his position and that of France in Europe and in NATO will be greatly strengthened. De Gaulle lost no time in following up his first-round gains.

### *Status of France*

The National Assembly and Senate, Feb. 3, approved by massive majorities his request for special powers to rule by decree for a year and to take all measures necessary to ensure maintenance of order, to safeguard the state, and to pursue a solution for the Algerian war.

Dissolution of six political organizations in Algeria was ordered on Feb. 4. De Gaulle, reorganizing his cabinet the next day, dismissed Jacques Soustelle, Minister for the Sahara and Atomic Affairs, and Bernard Cornut-Gentille, Minister of Postal, Telephone and Telegraphic Services. Both men were regarded as sympathetic to the *colons*; Soustelle was a leader of the coup of May 13, 1958, which brought de Gaulle back to power. The government on Feb. 10 announced a series of measures to tighten control over Algeria, including disbanding of the home guard, reorganization of the police, and revision of provisions of the penal code applying to attempts on the security of the state.

#### DICKERING FOR AGREEMENT WITH MOSLEM REBELS

De Gaulle's self-determination pledge was initially regarded with suspicion by the National Liberation Front (F.L.N.), organization of the Algerian Moslem rebels with headquarters in Tunis. Whether the F.L.N.'s distrust of French sincerity has been completely dispelled by de Gaulle's suppression of the Algiers insurrection is not yet clear.

Even though de Gaulle has recognized the responsibility of the Algerian people for their own future, a crucial matter of legal technicality continues to divide the two sides. The F.L.N. calls itself the Provisional Government of the Algerian Republic and claims to hold Algerian sovereignty in trust pending the self-determination vote. Ferhat Abbas, president of the provisional government, formally accepted the French offer last September, with conditions, and expressed willingness to negotiate on political issues. Abbas carefully defined the nationalist position on trusteeship of sovereignty as follows: "The Provisional Government of the Algerian Republic, recognized today by many countries, is the depository and guarantor of the interests of the Algerian people until they have expressed themselves freely. It directs and controls the resistance of the Algerian people and the freedom struggle of the army of national liberation."

### *Editorial Research Reports*

The French, while ready to negotiate a cease-fire, do not recognize the F.L.N. as a government. In his original declaration on self-determination, de Gaulle refused to accord "the men who represent the political organization of the insurrection . . . the privilege of discussing with . . . [France] the fate of Algeria, thus building up these agitators into an Algerian government." He emphasized that the question of self-determination would be put to Algerians as individuals, because "There never has been any Algerian unity, far less any Algerian sovereignty."

In line with its claim to hold Algerian sovereignty in trust, the F.L.N. wants to conduct political as well as military negotiations. Its leaders insist that a cease-fire agreement should include political guarantees of the right to campaign freely in Algeria for the goal of independence. De Gaulle indicated on Feb. 25, however, that a cease-fire must precede discussion of political guarantees with regard to campaigning, and that such discussion must be with "all Algerian opinions," not with the rebels alone.

Subsequent declarations appeared to leave the situation as deeply in stalemate as ever. Abbas insisted at Tunis, Feb. 29, that "To make possible a cease-fire and recourse to self-determination, the French government must agree to talks on the guarantees of a free referendum." He added that the choice of the people of Algeria would inevitably be independence and that they would reject any plan for "Balkanization of our country or for dividing it into ethnic or religious communities."

De Gaulle, on a tour of military posts in Algeria the first week of March, seemed to return to a harder stand. An official statement, issued in Paris March 7 to clarify fragmentary reports of what the President had said, renewed the offer of cease-fire talks but added: "No practical follow-up having been given it by those to whom it was addressed, . . . it is necessary for the army to complete directly the re-establishment of order." Intensification of military action against the Moslem rebels in the field thus appeared to be threatened.

The March 7 statement seemed also more than ever to restrict the choice open to Algerians in the proposed referendum. Secession or independence was pictured as leading to chaos "because today there is no way of life



### *Status of France*

nor of development conceivable for Algeria without France." Integration, described as "to go back to the direct domination practiced by continental France since the conquest," also was called impossible. Therefore, no choice was left but "an Algerian Algeria, tied to France and uniting the communities which are known to be so diverse."

---

### **Economic Reform Under Fifth Republic**

---

ECONOMIC REFORMS under the Fifth Republic have been almost as radical as the political, and the resulting recovery has done much to restore French prestige in the world. Authors of an article in *Fortune* last spring emphasized the far-reaching nature of the reforms by saying: "If the French experiment succeeds, the political and economic benefits will not stop with France; they will flow across Western Europe, strengthen the French position in Africa, and bear indirectly on the fortunes of all the West. If it fails, all the rest will be damaged."<sup>11</sup>

The basic economic decision in France was to rehabilitate the franc within the framework of a free and open economy. A series of bold and stringent interrelated measures, put into effect by decree during 1959, strengthened the internal economy by combating both recession and currency inflation, and reduced the country's external balance-of-payments deficit.

Although de Gaulle and Finance Minister Antoine Pinay were publicly identified with the economic reform plan, it was largely drawn up by a commission of experts appointed by Pinay in September 1958 to survey French financial problems. Jacques Rueff, who headed the commission, is a distinguished economist who has had a career of many years in French government service. He had long advocated restoring the mechanism of the price system to its classical place.

De Gaulle and Pinay, in radio and television addresses on Dec. 28, 1958, outlined a corrective policy of austerity

---

<sup>11</sup> Michael Heilperin and Charles J. V. Murphy, "De Gaulle's Audacious Economics," *Fortune*, May 1960, p. 252.

### *Editorial Research Reports*

pointing to a return to a sound economy with some elements of welfare. De Gaulle said: "We have adopted and shall put into effect tomorrow a complete program of financial, economic and social measures that places the nation on a foundation of truth and austerity, which is the only foundation on which it can build its prosperity. I make no secret of the fact that for some time our country will be put to the test, but the recovery at which we are aiming is such that it can repay us for everything." The remedies chosen were a balanced budget, devaluation of the franc, and increased investment. At the same time, to promote full participation of France in the European Common Market and expansion of the country's trade with the rest of the world, it was decided to liberalize trade arrangements and make the franc externally convertible into foreign currencies.

To bring about internal financial stability, the government planned to reduce the budget deficit and create conditions conducive to economic growth through fiscal and administrative reforms. Steps were taken to increase revenues and cut down spending. Taxes were raised, starting with levies such as corporation and personal income taxes which have a minimum effect on price levels. However, price increases on certain products followed the withdrawal or reduction of economic subsidies paid by the government. Pinay said of the latter action: "Here the government . . . aimed to restore the price of goods or services to the level of real production costs, thus making sure that all taxpayers would not have to bear a share of what should be borne solely by the user or consumer."<sup>12</sup> Certain non-essential social security payments were cut, though the basic features of the social security system were not modified.<sup>13</sup>

It was anticipated that devaluation of the franc and the slashing of subsidies would cause an average rise in consumer prices of about 6 per cent.<sup>14</sup> To limit the general rise in retail prices, the government abolished inflationary escalator clauses in labor contracts under which price increases were automatically followed by wage increases. But to cushion the impact on lower-income groups of higher

<sup>12</sup> Antoine Pinay, "Economic Revolution in France," *Foreign Affairs*, July 1959, p. 554.

<sup>13</sup> For example, long-standing pensions (about \$10 to \$24 a year) to non-disabled war veterans under 65 years of age were cut off.

<sup>14</sup> By last October French prices had risen overall by about 4 per cent; most of the increase occurred early in 1959.

### *Status of France*

living costs, an increase of around 4 per cent was decreed in the guaranteed national minimum wage, civil service salaries, and old-age pensions.

#### CURRENCY DEVALUATION AND NEW TWENTY-CENT FRANC

The franc was devalued by 17.5 per cent, effective Dec. 29, 1958, making it worth 493.7 to the dollar. A realistic currency devaluation was needed to make French prices competitive with world prices and stimulate French exports to help solve a chronic balance-of-payments problem. In a step toward greater freedom in the movement of capital, the franc was partially unblocked, as of Dec. 28, 1958. For non-residents of France, the franc became freely convertible into any other currency in commercial as well as financial transactions. That action made it possible for France to assume all its obligations under the treaty establishing the Common Market, without having to ask for certain immunities allowed under escape clauses.

Devaluation enabled France to do away with export subsidies, free import trade, and break out of protectionism, because it brought French prices closer in line with those prevailing in other countries of the Organization for European Economic Cooperation. A decree of Dec. 27, 1958, removed quota restrictions on imports from other O.E.E.C. nations amounting to 90 per cent of the 1948 level of private trade, and in July 1959 the ratio was raised to 93 per cent. By lowering the barriers to payments and trade, France challenged its producers and merchants to meet foreign competition and adjust their operations to the conditions of the Common Market and the world economy.

The financial and economic reforms decreed by de Gaulle at the close of 1958 already have resulted in marked French advances. The people are said to show a new spirit of vigor and confidence, the inflationary spiral has been broken, and the franc has remained reasonably steady. As a symbol of the new respect for the franc at home and abroad, the French government began on July 15, 1959, to introduce into circulation a new monetary unit, the "heavy" franc. The new unit is worth 100 old francs, or U.S. 20¼¢, which is approximately what the franc was worth before World War I when the gold standard was generally observed.





